

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Jonah Energy LLC (“Jonah Energy”), 707 17th Street, Suite 2700, Denver, Colorado 80202, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in the Notice of Violation docket number 5445-14 (“Notice of Violation”). The Notice of Violation alleged that Jonah Energy violated the Wyoming Air Quality Standards and Regulations (“Air Quality Rules”) and Permit MD-7905A2 by exceeding permitted NO_x and CO limits at the Jonah Workforce facility.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Jonah Energy and the DEQ/AQD hereby agree as follows:

1. Jonah Energy is a Delaware limited liability company authorized to do business in Wyoming. Jonah Energy is the owner and operator of the Jonah Workforce facility, located in Sublette County, Wyoming.

2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.

3. Wyo. Stat. Ann. § 35-11-201 provides, “[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the [environmental quality] council.”

4. Wyo. Stat. Ann. § 35-11-801 states, “In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards.”

5. On September 9, 2009, DEQ/AQD issued Permit MD-7905A2 to Encana Oil & Gas for the Jonah Workforce facility. This facility and permit transferred to Jonah Energy on or about December 1, 2013. Condition 9 of the permit limits each Generac GS150 engine to NO_x emissions of 0.7 g/hp-hr and 0.4 lb/hr, and CO emissions of 1.3 g/hp-hr and 0.7 lb/hr.

6. On March 24, 2014, DEQ/AQD Inspector Jon Walker observed stack testing at the Jonah workforce facility. The DEQ/AQD allege that the test results of the Generac GS150 engine G6 were as follows:

- a. NO_x emissions at 2.03 g/hp-hr and 0.81 lb/hr;
- b. CO emissions at 3.25 g/hp-hr and 1.29 lb/hr.

7. On August 4, 2014, DEQ/AQD issued the Notice of Violation to Jonah Energy, alleging that Jonah Energy violated Condition 9 of Permit MD-7905A2 by exceeding permitted NO_x and CO limits.

8. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Jonah Energy agrees to pay to the DEQ/AQD eight thousand dollars and no cents (\$8,000.00) as a stipulated penalty to resolve the violations alleged in the Notice of Violation. Jonah Energy agrees to make full payment by mailing a check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Jonah Energy has received written notice from the DEQ/AQD that the final signature has been affixed to this Agreement. Jonah Energy agrees to mail the payment to Ann Shed, Compliance Program Principal, DEQ/AQD, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

9. Jonah Energy, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance or any of the factual allegations stated in the Notice of Violation. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Jonah Energy may have against any entity.

10. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Jonah Energy arising from the facts and allegations contained within the Notice of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will be barred from taking further enforcement action against Jonah Energy for these particular alleged violations or any other violations based upon the facts alleged in the Notice of Violation. By this Agreement, the Parties intend to resolve with prejudice all violations alleged in the Notice of Violation and this Agreement.

11. In the event that Jonah Energy fails to fulfill its obligations under this Agreement, Jonah Energy waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

12. This Agreement shall be admissible by either Jonah Energy or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Jonah Energy relating to the violations alleged herein.

13. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor

Jonah Energy shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

14. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

15. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

16. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

17. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

18. The parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the parties to this Agreement, and shall inure solely to the benefit of the parties to this Agreement. The parties to this Agreement intend and expressly agree that only parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

19. In the event that Jonah Energy assigns any or all of its proprietary interest in the Jonah Workforce facility located in Sublette County, Wyoming, DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

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20. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed.

IN WITNESS THEREOF, the parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

JONAH ENERGY LLC:

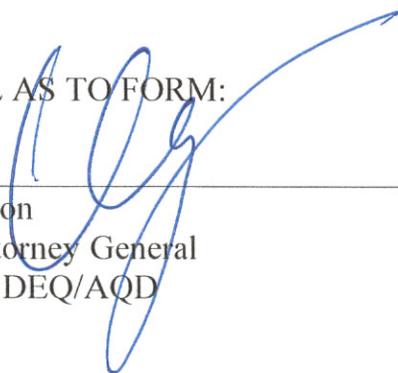
By:  10/14/2014
Greg Schamber Date
Regulatory Manager

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  10-27-14
Steven A. Dietrich, AQD Administrator Date

By:  10/28/14
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 11/13/14
Elizabeth Lyon Date
Assistant Attorney General
Attorney for DEQ/AQD